

Department of Social and Health Services

DP Code/Title: PL-TD Sacred Heart Settlement

Program Level - 080 Medical Assistance

Budget Period: 2003-05 Version: H2 080 2003-05 2004 Sup-Agency Req

Recommendation Summary Text:

Payment has been made for the settlement of the Sacred Heart lawsuit that resulted from disenrollment of up to 150,000 Medicaid clients from medical coverage after they lost Temporary Assistance for Needy Families (TANF) coverage as a result of welfare reform. This is a request for \$11,670,000 General Fund State (GF-S) and \$13,330,000 in federal matching funds to cover the costs of settling this lawsuit. Statewide result number 5.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	11,670,000	0	11,670,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	13,330,000	0	13,330,000
Total Cost	25,000,000	0	25,000,000

Staffing

Package Description:

In 1997, the federal welfare reform act was passed, creating the TANF program and eliminating the previous welfare program known, Aid to Families with Dependent Children. Under the new TANF program, states were given the ability to remove families from welfare assistance for various reasons, but those families were to retain their Medicaid eligibility until their income increased enough to make them ineligible for Medicaid. In Washington State, there was some indication that families left TANF and lost their Medicaid eligibility inappropriately. This situation prompted the State to allow families who had left Medicaid to be made Medicaid eligible for a discreet period of time while their eligibility was redetermined by the State. If a client had proof of out-of-pocket expenses for any covered services that were provided to the client during the period of time that they were not on Medicaid, the Department reimbursed the client directly for those services. In addition, if the client presented unpaid bills for covered services provided while off Medicaid, the Department would pay the provider for those services. The only way for a provider to receive payments was for the client to present unpaid bills to the Department.

Several hospitals and other Medicaid providers in Washington claimed that they had provided services to clients while they were inappropriately off of Medicaid, but that the clients were unwilling or unable to present unpaid bills to the Department. These providers filed suit against the State to contest non-payment of such claims that had occurred during the time these TANF recipients were not on Medicaid. Certain Regional Support Networks (responsible for providing Mental Health Services on a capitated basis) also joined the lawsuit.

The suit went to trial in the Spring of 2003; the judge found in favor of the plaintiffs on the question of liability for the services provided. The trial's damages phase was set to begin later in 2003, after mediation occurred between the parties on the amount of damages. The parties were able to reach a settlement in the mediation and the court approved the settlement with payment due within fifteen days.

Payment has been made in accordance with the court settlement in September 2003.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This request supports the MAA strategic goal of continued access to quality health care services for eligible DSHS clients.

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Performance Measure Detail

Program: 080

Goal: 10H Assure access to high quality health care

Incremental Changes

FY 1

FY 2

No measures submitted for package

Reason for change:

The Superior Court of Thurston County has ruled that the Department was liable to the providers and has approved the settlement of the amount of damages.

Impact on clients and services:

None

Impact on other state programs:

The payment requested in this decision package covers MAA and Mental Health Division liability. Both programs' settlement amounts are included in this request.

Relationship to capital budget:

Not applicable

Required changes to existing RCW, WAC, contract, or plan:

Not applicable

Alternatives explored by agency:

Because the judge found in favor of the plaintiffs, payment of a settlement was required.

Budget impacts in future biennia:

This payment will not affect future biennia.

Distinction between one-time and ongoing costs:

This is a one-time expenditure.

Effects of non-funding:

Payment has already been made. If the amount requested is not provided to MAA, other services must be reduced in order to fund the settlement. Reductions cannot be in inpatient services.

Expenditure Calculations and Assumptions:

The settlement payment amount was \$25,000,000 million, paid at the "enhanced" FMAP rate of 53.32 percent federal and 46.68 percent state funds effective in the quarter the settlement amount was disbursed.

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Object Detail

FY 1

FY 2

Total

Overall Funding

N Grants, Benefits & Client Services

25,000,000

0

25,000,000

DSHS Source Code Detail

Overall Funding

FY 1

FY 2

Total

Fund 001-1, General Fund - Basic Account-State

Sources Title

0011 General Fund State

11,670,000

0

11,670,000

Total for Fund 001-1

11,670,000

0

11,670,000

Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa

Sources Title

19TA Title XIX Assistance (FMAP)

13,330,000

0

13,330,000

Total for Fund 001-C

13,330,000

0

13,330,000

Total Overall Funding

25,000,000

0

25,000,000